

LSU ALUMNI ASSOCIATION AND SUBSIDIARY
Baton Rouge, Louisiana

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013



Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUN 04 2014

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
LSU Alumni Association
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the "Association") which are comprised of the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements. The prior year summarized comparative information has been derived from the Association's 2012 consolidated financial statements, and in our report dated February 28, 2013, we expressed an unqualified opinion on those consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** as of December 31, 2013, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The combining schedule of activities on page 18 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Faulb & Winkler LLC

Certified Public Accountants

Baton Rouge, Louisiana
March 17, 2014

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2013
(with comparative amounts for 2012)

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT		
Cash	\$ 1,156,008	\$ 1,372,864
Pledges receivable, net	901,711	451,278
Accounts receivable, net	300,737	232,642
Merchandise inventory	<u>165,402</u>	<u>167,817</u>
Total current assets	2,523,858	2,224,601
INVESTMENTS:		
Unrestricted	448,093	348,562
Endowment	18,490,609	16,273,181
LONG-TERM PLEDGES RECEIVABLE, net	9,709	31,180
PROPERTY AND EQUIPMENT, net	14,307,265	14,678,778
DEFERRED INCOME TAXES, net	276,000	291,000
OTHER ASSETS	<u>470,088</u>	<u>427,606</u>
Total assets	<u>\$ 36,525,622</u>	<u>\$ 34,274,908</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and other accruals	\$ 504,298	\$ 617,746
Deferred revenues	258,290	136,144
Deferred royalty	<u>68,221</u>	<u>72,972</u>
Total current liabilities	830,809	826,862
LONG-TERM LIABILITIES	<u>653,259</u>	<u>557,000</u>
Total liabilities	<u>1,484,068</u>	<u>1,383,862</u>
NET ASSETS		
Unrestricted	15,814,609	14,917,551
Temporarily restricted	75,242	-
Permanently restricted	<u>19,151,703</u>	<u>17,973,495</u>
Total net assets	<u>35,041,554</u>	<u>32,891,046</u>
Total liabilities and net assets	<u>\$ 36,525,622</u>	<u>\$ 34,274,908</u>

The accompanying notes to consolidated financial statements
are an integral part of this statement.

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2013
(with comparative amounts for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2013	2012
REVENUE AND SUPPORT					
Donations	\$ 1,905,753	\$ 74,307	\$ 1,178,208	\$ 3,158,268	\$ 2,356,465
Earned:					
Hotel	3,230,428	-	-	3,230,428	3,312,634
Merchandise, sales, and trip	1,721,555	-	-	1,721,555	2,134,056
Rental and catering	714,995	-	-	714,995	634,999
Investments:					
Dividend and interest	15,812	408,243	-	424,055	312,093
Realized gain	4,799	-	-	4,799	49,560
Unrealized gain	1,828,820	-	-	1,828,820	1,049,581
Credit card royalty	257,744	-	-	257,744	253,722
Other	534,532	-	-	534,532	549,399
Total revenue and support	10,214,438	482,550	1,178,208	11,875,196	10,652,509
NET ASSETS RELEASED FROM RESTRICTIONS	407,308	(407,308)	-	-	-
Total revenue, support, and reclassifications	10,621,746	75,242	1,178,208	11,875,196	10,652,509
EXPENSES					
Program	6,940,262	-	-	6,940,262	7,047,108
Fundraising	1,262,259	-	-	1,262,259	1,243,205
General and administrative	1,507,167	-	-	1,507,167	1,272,803
Total expenses	9,709,688	-	-	9,709,688	9,563,116
Change in net assets, before income taxes	912,058	75,242	1,178,208	2,165,508	1,089,393
PROVISION FOR INCOME TAXES					
Deferred tax expense	15,000	-	-	15,000	138,000
Valuation allowance	-	-	-	-	(429,000)
Total provision for income taxes	15,000	-	-	15,000	(291,000)
Increase in net assets	897,058	75,242	1,178,208	2,150,508	1,380,393
NET ASSETS					
Beginning of year	14,917,551	-	17,973,495	32,891,046	31,510,653
End of year	\$ 15,814,609	\$ 75,242	\$ 19,151,703	\$ 35,041,554	\$ 32,891,046

The accompanying notes to consolidated financial statements
are an integral part of this statement.

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2013
(with comparative amounts for 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,150,508	\$ 1,380,393
Adjustments for non-cash items:		
Depreciation	713,546	684,314
Income tax provision	15,000	(291,000)
Realized gain on investments - net	(4,799)	(49,560)
Unrealized gain on investments - net	(1,828,820)	(1,049,581)
Permanently restricted contributions - net	(1,178,208)	(486,353)
Change in operating assets and liabilities:		
Net change in pledges receivable	(428,962)	218,384
Net change in operating assets	(108,162)	408,074
Net change in operating liabilities	100,206	(799,669)
Net cash (used) provided by operating activities	<u>(644,933)</u>	<u>15,002</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,945,498)	(1,699,130)
Proceeds from sale of investments	2,462,158	1,227,798
Acquisition of property and equipment	<u>(342,033)</u>	<u>(268,215)</u>
Net cash used by investing activities	<u>(825,373)</u>	<u>(739,547)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Temporarily restricted contributions	75,242	-
Permanently restricted contributions	<u>1,178,208</u>	<u>486,353</u>
Net cash used by financing activities	<u>1,253,450</u>	<u>486,353</u>
Net decrease in cash and cash equivalents	(216,856)	(238,192)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,372,864</u>	<u>1,611,056</u>
End of year	<u>\$ 1,156,008</u>	<u>\$ 1,372,864</u>

The accompanying notes to consolidated financial statements
are an integral part of this statement.

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the "Association") is a non-profit corporation organized to foster, protect, and promote the welfare of Louisiana State University and Agricultural and Mechanical College (the University) and to maintain a mutually beneficial relationship between the University and its alumni. The majority of the Association's revenues are derived from contributions made by individual alumni and various organizations, as well as revenues earned through the Alumni Center and Hotel. The Lod and Carole Cook Conference Center and Hotel, LLC (the Hotel), is a wholly-owned subsidiary that operates the for-profit activities of the Association. The Hotel and Alumni Center are located on land owned by the University.

Basis of presentation and consolidation

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting. All intercompany transactions and balances have been eliminated. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements. The Association reports information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for 2012, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates. Estimates are used primarily when accounting for valuation and collection of receivables, inventory, depreciation, deferred revenue and deferred income taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For purposes of the statement of cash flows, the Association considers all demand deposits and money market accounts to be cash and cash equivalents, except that cash and cash equivalents that are restricted by donors are included with restricted or endowed investments. The Association considers all highly liquid investments, money market funds, and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents.

Promises to give and contributions

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges receivable are recorded net of an allowance for doubtful pledges that is based on management's estimate of collectability. The Association records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Unconditional contributions with donor restrictions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to the appropriate classification. Contributions to permanently restricted funds are restricted by the donor to be maintained in perpetuity and the related income earned is expended according to the donor's stipulations.

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. A general allowance for doubtful accounts is based on management's estimate of the collectability of accounts receivable according to prior experience. Management considers accounts receivable delinquent based on contractual terms. The Association does not require collateral for its receivables. Accounts receivable over 90 days past due totaled \$26,141 at December 31, 2013.

Inventory

Inventory is recorded at cost, net of an allowance for obsolescence. The Hotel uses the First-In-First-Out (FIFO) method to account for its inventory.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment valuation and income recognition

The Financial Accounting Standards Board Accounting Standards Codification, *Fair Value Measurements*, (ASC 820), establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the sources of pricing information (inputs) to valuation techniques used to measure fair value. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

Investments in equity securities and shares of mutual funds with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. Investments in non-exchange traded debt and equity instruments are valued using independent pricing services or by broker/dealers who actively make markets in these securities. Investments in hedge funds are managed by external advisors and are reported at fair value utilizing the most current information provided by the fund manager through such methods mentioned in the following paragraph.

Inputs and estimates developed and utilized in the income approach may be subjective and require significant matters such as estimating the amount and timing of future cash flows and the selection of discount and capitalization rates that appropriately reflect market and credit risks. The market approach derives investment value through comparison to recent and relevant market transactions with similar investment characteristics. The cost approach is utilized when the cost or the replacement cost amounts are determined to be the best representation of fair value. This method is typically used for newly purchased or undeveloped assets. These values are determined under the direction of, and subject to review by, the Association's management.

Unrealized gains and losses are recorded in current year operations as increases or decreases in net assets. Dividend, interest, and other investment income are recorded as an increase in net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment valuation and income recognition (continued)

Donated investments are recorded at market value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification cost method. These realized gains and losses are recognized in the Association's current operations.

Fair value of financial instruments

The carrying value of cash, receivables, prepaid expenses, accounts payable, accrued expenses, and deferred revenue approximate fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

Property and equipment

Property and equipment are carried at cost. Additions, renewals, and betterments that extend the life of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

Depreciation is provided using the straight-line and accelerated methods over the estimated useful lives of the property, ranging from three to thirty-nine years.

The Association does not capitalize its collection at the Andonie Museum, which is located on the LSU campus. The collection consists of historical objects relating to LSU sports history which have been estimated to have a market value of approximately \$650,000 at the date of acquisition. There were no significant changes to the collection during 2013.

Income taxes and unrelated business income

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code for the majority of the Association's revenues; however, the Association's subsidiary, the Hotel, is a for-profit corporation for income tax purposes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income during the period that includes the enactment date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes and unrelated business income (continued)

The Association files Form 990 and Form 990-T tax returns in the U.S. federal jurisdiction and in Louisiana. Generally, the Association is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by taxing authorities for years before 2010. The Association follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management of the Association believes there is no impact on the financial statements as a result of ASC 740-10. The Association's open audit periods are from 2010 through 2013.

Deferred revenues

Funds that are received for prepayment of lodging or deposits for events scheduled in the subsequent year are recorded as deferred revenues until they are earned.

Advertising

Advertising costs of \$47,241 were expensed as incurred.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation.

NOTE 2 - INVESTMENTS

Investments, including fair value input levels, at December 31, 2013, consisted of the following:

	Fair Value Input Level	Market Value	Cost
Equities	1	\$ 10,849,553	\$ 8,493,825
Fixed income	2	3,468,264	3,279,599
Money market funds	2	1,891,121	1,891,121
Hedge funds	3	1,225,924	1,205,102
Certificates of deposit	2	1,153,937	1,153,000
Mutual funds	1	349,903	349,903
		<u>\$ 18,938,702</u>	<u>\$ 16,372,550</u>

NOTE 2 - INVESTMENTS (CONTINUED)

The investment return for 2013 is summarized as follows:

	<u>Amount</u>
Interest and dividends	\$ 424,055
Realized gains, net	4,799
Unrealized gains, net	<u>1,828,820</u>
Total	<u>\$ 2,257,674</u>

The change in fair value in Level 3 investments that is measured at fair value on a recurring basis as of December 31, 2013 is as follows:

	<u>Hedge Funds</u>
Beginning of year	\$ 1,075,216
Unrealized gain	<u>150,708</u>
End of year	<u>\$ 1,225,924</u>

NOTE 3 - PLEDGES RECEIVABLE

Unconditional pledges receivable at December 31, 2013, are as follows:

	<u>Amount</u>
Less than one year	\$ 1,023,295
One to five years	<u>10,000</u>
	1,033,295
Allowance for uncollectible pledges	<u>(121,584)</u>
Total pledges receivable, net	<u>\$ 911,711</u>

A discount of \$291 was computed on long term pledges receivable using a rate of 3% per annum to value such receivables at net present value.

NOTE 4 - ACCOUNTS RECEIVABLE

At December 31, 2013, accounts receivable are as follows:

	Amount
LSU Foundation	\$ 167,982
Room rental, occupancy, and other	106,573
Catering	35,947
	<u>310,502</u>
Allowance for uncollectable accounts	(9,765)
Total receivable	<u>\$ 300,737</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment, and related service lives at December 31, 2013 were as follows:

Description	Service Life	Amount
Buildings and improvements	15 - 39 years	\$ 21,243,367
Furniture and equipment	5 - 10 years	3,526,309
Automobiles	5 years	81,435
Software	3 years	57,353
		<u>24,908,464</u>
Less accumulated depreciation		(10,601,199)
		<u>\$ 14,307,265</u>

Depreciation expense was \$713,546 for 2013.

NOTE 6 - DEFERRED ROYALTY

The Association entered into a royalty agreement in 2011 for use of its logo on credit cards and access to alumni member lists. Under the terms of the agreement, the Association will receive a \$1,000,000 royalty guarantee (\$200,000 annually) from July 1, 2011 to June 30, 2016. Earned royalties are applied against the advances, and the Association receives an additional amount for royalties earned in excess of \$200,000 each year. During 2013, the Association earned royalties of \$257,744 related to this agreement.

NOTE 7 - PROVISION FOR INCOME TAXES

The provision for income taxes consisted of a deferred income tax expense of \$15,000 for 2013, and the tax effects of temporary differences at December 31, 2013 are as follows:

Noncurrent deferred tax asset	Amount
Net operating loss carryforward	\$ 307,000
Depreciation	<u>(31,000)</u>
	<u>\$ 276,000</u>

At December 31, 2013, the Hotel had a net operating loss carry-forward of approximately \$1.5 million available through 2030. The Hotel's effective tax rate differs from the federal statutory rate, primarily due to lower rates on the first \$100,000 of taxable income, certain nondeductible expenses, and state income taxes (benefits). Management anticipates utilizing the net operating loss carryforwards prior to their expiration.

NOTE 8 - LONG-TERM LIABILITIES

Long-term liabilities at December 31, 2013, consist of the following:

	Amount
Deferred compensation	\$ 429,920
Annual leave	<u>223,339</u>
	<u>\$ 653,259</u>

NOTE 9 - ENDOWMENT

The endowment net assets had activity during 2013 as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,701,461	\$ -	\$ 17,973,495	\$ 17,251,920
Interest and dividends	-	408,243	-	408,243
Unrealized gains	191,126	-	-	191,126
Contributions	462,688	74,307	1,178,208	1,715,203
Amounts appropriated for expenditure	<u>(588,863)</u>	<u>(407,308)</u>	<u>-</u>	<u>(996,171)</u>
Endowment net assets, end of year	<u>\$ 1,766,412</u>	<u>\$ 75,242</u>	<u>\$ 19,151,703</u>	<u>\$ 18,570,321</u>

NOTE 9 - ENDOWMENT (CONTINUED)

Unrestricted endowment net assets

Unrestricted endowment net assets are comprised of funds designated by the Board of Directors for operating purposes, including maintenance on buildings. Additionally, from time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration.

Temporarily restricted endowment net assets

The Association has a policy of appropriating 5% of the endowment fund's average market value for the preceding 3 years for professorships and scholarships. Upon payment of professorships and scholarships, donor-restrictions are satisfied and temporarily restricted net assets are released from restrictions and reclassified as an increase in unrestricted net assets.

At December 31, 2013, the Association had \$75,242 in temporarily restricted net assets available for scholarships and professorships.

Permanently restricted endowment net assets

The Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association.

Return objectives

The long-term investment objective is to maintain the purchasing power of the endowment assets over the long-term while meeting current obligations. In addition, the investment program is expected to exceed a composite benchmark index comprised of market indices weighted in proportion to an asset allocation policy. Adequate liquidity shall be maintained to provide annual distributions of scholarships, professorships, and building and operating expenses.

To satisfy the long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both market appreciation (realized and unrealized), and interest and dividends. The Association uses a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 10 - COMMITMENT

The Association has a deferred compensation plan (the Plan) covering the President of the Association. In 2008, the Plan was amended to suspend future contributions. The salary continuation distributions shall be payable thirty days after the President's withdrawal from active service with the Association. The liability for payments at December 31, 2013 was \$429,920, which is recorded as other long-term liabilities. The Association maintains a separate managed investment account for these funds.

NOTE 11 - RENT EXPENSE

Rent and lease expense incurred for 2013 was \$101,087. These rentals and leases are short term and cancelable by either party. The Association has also entered into a 99-year land lease with the University which expires December 31, 2092. The annual rent expense associated with this lease is nominal.

NOTE 12 - DONATED SERVICES

A substantial number of unpaid volunteers have made a significant contribution of their time to develop the Association's programs, principally in fund raising activities, operations, and board participation. The value of this donated time is not reflected in these statements since no objective basis for measurement or valuation is available or meets the stipulations for recognition under generally accepted accounting principles.

NOTE 13 - RETIREMENT PLAN

The Association has a 401(k) retirement plan covering substantially all eligible employees. Employees are 100% vested in their contributions as well as discretionary Association matching and profit sharing contributions. Employees may contribute up to 25% of their compensation limited to \$17,000 annually. The Association contributed \$92,709 to the plan during 2013.

NOTE 14 - CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Association to concentrations of credit risk consist primarily of investments in long-term corporate and governmental fixed income instruments. Management periodically evaluates the Association's credit risk associated with its investments, which are not collateralized. Future changes in market value may make such investments less valuable.

The Association typically maintains cash and cash equivalents and temporary investments in local banks that may, at times, exceed the FDIC limits. Management believes that this risk is limited.

NOTE 15 - RELATED PARTIES

During 2013, the Association paid \$855,185 to the University and agencies of the University for reimbursement for personnel, various services, costs, and supplies. As of December 31, 2013, the Association owed the University \$113,486.

The Association had funds invested with the LSU Foundation totaling approximately \$168,000 at December 31, 2013. Also, the LSU Foundation rents office space from the Association, which was approximately \$152,000 during 2013.

The Association earned \$846,001 of hotel revenue in 2013 from various departments of the University.

The Association had \$61,740 of receivables in 2013 from various departments of the University.

The Association received \$840,000 in rental income, and \$180,000 in management fees from the Hotel. However, these transactions have been eliminated upon consolidation.

NOTE 16 - SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which was the date the financial statements were available to be issued.



SUPPLEMENTAL INFORMATION

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

COMBINING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2013

(with comparative amounts for 2012)

	Alumni Association	Restricted Fund	The Cook Hotel	Total	
				2013	2012
Revenue and support:					
Donations	\$ 1,905,753	\$ 1,252,515	\$ -	\$ 3,158,268	\$ 2,356,465
Earned:					
Hotel	-	-	3,230,428	3,230,428	3,312,634
Merchandise, sales, and trips	199,928	-	1,521,627	1,721,555	2,134,056
Rental and catering	587,597	-	127,398	714,995	634,999
Investments:					
Dividend and interest	15,638	408,243	174	424,055	312,093
Realized (loss) gain	(1,024)	5,823	-	4,799	49,560
Unrealized gain	1,828,820	-	-	1,828,820	1,049,581
Other:					
Credit card royalty	257,744	-	-	257,744	253,722
Advertising sales	-	-	158,920	158,920	169,370
On campus events	57,462	-	-	57,462	74,601
Golf tournament	-	-	-	-	34,390
Miscellaneous	310,937	-	7,213	318,150	271,038
Total revenue and support	5,162,855	1,666,581	5,045,760	11,875,196	10,652,509
Expenses:					
Personnel:					
Salaries	2,106,141	-	946,288	3,052,429	2,898,400
Staff benefits	406,439	-	125,158	531,597	479,886
Total personnel	2,512,580	-	1,071,446	3,584,026	3,378,286
Occupancy:					
Depreciation	585,161	-	128,385	713,546	684,314
Utilities	127,832	-	285,076	412,908	386,915
Professional and contracted services	120,734	6,188	176,397	303,319	261,023
Repairs and maintenance	160,310	-	112,391	272,701	249,812
Hotel operations	-	-	387,525	387,525	367,437
Taxes	9,268	-	9,095	18,363	14,011
Supplies	59,874	-	185,071	244,945	193,651
Rent	84,052	-	17,035	101,087	45,701
Miscellaneous operating services	54,112	14,266	99	68,477	63,993
Total occupancy	1,201,343	20,454	1,301,074	2,522,871	2,266,857
Promotional:					
Scholarships	-	519,430	-	519,430	632,691
Travel and sports trips	117,624	-	852,709	970,333	1,355,213
Special events ticket purchases	487,967	-	-	487,967	497,532
Cost of merchandise sold	-	-	454,006	454,006	338,825
Printing	157,870	-	9,730	167,600	187,990
Postage	111,127	-	16,509	127,636	103,727
Official functions and entertainment	21,700	-	-	21,700	23,600
Catering	111,362	-	8,631	119,993	97,813
Other support	35,169	-	-	35,169	81,008
Promotional supplies	75,495	-	-	75,495	85,533
Advertising	7,139	-	40,102	47,241	42,023
Gifts of appreciation/donor recognition	92,687	-	-	92,687	97,180
Total promotional	1,218,140	519,430	1,381,687	3,119,257	3,543,135
General and Administrative:					
Fees	-	60,128	172,673	232,801	229,441
Telephone	31,869	-	41,621	73,490	71,858
Provision for doubtful accounts	3,026	-	-	3,026	4,864
Insurance	139,547	-	18,130	157,677	50,561
Dues and subscriptions	11,791	-	4,749	16,540	18,114
Total general and administrative	186,233	60,128	237,173	483,534	374,838
Total expenses	5,118,296	600,012	3,991,380	9,709,688	9,563,116
Change in net assets, before income taxes	44,559	1,066,569	1,054,380	2,165,508	1,089,393
Income tax expense (benefit)	-	-	15,000	15,000	(291,000)
Change in net assets	\$ 44,559	\$ 1,066,569	\$ 1,039,380	\$ 2,150,508	\$ 1,380,393

See Independent Auditors' Report

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

MANAGEMENT LETTER

December 31, 2013





Board of Directors
LSU Alumni Association and Subsidiary
Baton Rouge, Louisiana

In planning and performing our audit of the 2013 financial statements of **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the Association), in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency noted as 2013-1 to be a material weakness.

This communication is intended solely for the information and use of the Board of Directors, the Association's management, and others within the Association, and is not intended to be, and should not be, used by anyone other than these specified parties.

Faulk & Winkler LLC

Certified Public Accountants

Baton Rouge, Louisiana
March 17, 2014

2013-1 - Financial Statement Preparation

Observation: The Association's internal financial statements are prepared and reviewed monthly by management and presented at board meetings. At year-end, the Association provides the internal financial statements and relies on the auditors to assist in preparing the financial statements in accordance with U.S. generally accepted accounting principles, which includes additional presentation requirements and note disclosures.

Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Association's internal control structure; however, the design of the internal control structure does not otherwise include procedures to prepare external financial statements and related disclosures in conformity with U.S. generally accepted accounting principles.

Recommendation: Management understands that this "deficiency" results from professional standards that have been adopted by the accounting profession. Significant factors are as follows:

- The Association generates the appropriate financial information to effectively manage its operations in a timely manner.
- The resources necessary to prepare financial statements in accordance with generally accepted accounting principles would not represent responsible stewardship by our management at this time.

Accordingly, while this finding maybe necessary for the professional reasons cited above, we do not consider our current situation to be "deficient", and, therefore, conclude that the remedying of the "deficiency" does not represent an approach that the Association should adopt at this time.



March 17, 2014

Board of Directors
LSU Alumni Association
Baton Rouge, Louisiana

Gentlemen:

We have audited the consolidated financial statements of **LSU ALUMNI ASSOCIATION AND SUBSIDIARY** (collectively referred to as the Association) for the year ended December 31, 2013, and have issued our report thereon dated March 17, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our meeting with the audit committee on February 6, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Provision for uncollectible accounts – A provision for the estimated uncollectible receivables has been estimated by management of the Association. Management of the Association believes the remaining receivables after reduction for the allowance are collectible.

Depreciation – Depreciation has been recorded based on management's assertion as to the estimated useful life of property purchased or received from donation.

Deferred taxes – Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred revenue – Deferred revenue is recorded when suites at the Cook Hotel are paid in advance and revenue is recognized in the applicable year. Additionally, activity related to post season sports travel is recognized in the year in which the event occurs.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures, and corrected by management, were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2014.

(Continued)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues


We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Association and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants
Baton Rouge, Louisiana

LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Summary of Audit Adjustments - Effect on Change in Net Assets

December 31, 2013

Assets

Investments	\$ (714)
Receivables	18,198
Fixed assets	(22,720)

Liabilities

Catering escrow	(51,457)
Other	(15,000)

Net assets

To record prior year audit entries	<u>(803)</u>
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Net decrease in change in net assets from audit adjustments	(72,496)
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Pre-adjusted change in net assets	<u>2,223,004</u>
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Audited change in net assets	<u>\$ 2,150,508</u>
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Uncorrected

Accrued vacation	<u>\$ (42,928)</u>
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LSU ALUMNI
ASSOCIATION

**2013
Consolidated
Financial
Statements**



**THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC**

Baton Rouge, Louisiana

FINANCIAL STATEMENTS

December 31, 2013 and 2012



**THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC**
Baton Rouge, Louisiana

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December 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Lod and Carole Cook Conference Center and Hotel, LLC
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the financial statements of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** (the Hotel) (a limited liability company and wholly owned subsidiary of the LSU Alumni Association) which are comprised of the balance sheets as of December 31, 2013 and 2012, and the related statements of operations and changes in member's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the Hotel's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hotel's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** as of December 31, 2013 and 2012, and the results of their operations, changes in member's equity, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Faulk & Winkler LLC

Certified Public Accountants

Baton Rouge, Louisiana
March 17, 2014

**THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC**

Baton Rouge, Louisiana

BALANCE SHEETS

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT		
Cash	\$ 419,334	\$ 887,329
Accounts receivable, net	96,808	35,743
Other receivables	-	324,266
Inventory, net	165,406	167,817
Prepaid expenses	<u>159,801</u>	<u>88,518</u>
Total current assets	841,349	1,503,673
PROPERTY AND EQUIPMENT, net	494,374	520,591
DEFERRED INCOME TAXES, net	<u>276,000</u>	<u>291,000</u>
Total assets	<u>\$ 1,611,723</u>	<u>\$ 2,315,264</u>
LIABILITIES AND MEMBER'S EQUITY		
CURRENT		
Accounts payable and accrued expenses	\$ 172,939	\$ 347,031
Deferred revenue	<u>258,040</u>	<u>136,144</u>
Total liabilities	430,979	483,175
MEMBER'S EQUITY	<u>1,180,744</u>	<u>1,832,089</u>
Total liabilities and member's equity	<u>\$ 1,611,723</u>	<u>\$ 2,315,264</u>

The accompanying notes to financial
statements are an integral part of this statement.

**THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC**

Baton Rouge, Louisiana

**STATEMENTS OF OPERATIONS AND CHANGES
IN MEMBER'S EQUITY**

For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Rooms	\$ 3,166,640	\$ 3,251,248
Travel packages	1,076,619	1,431,435
Gift shop	445,008	476,365
Food, beverage, and other	229,921	238,233
Catering	<u>127,572</u>	<u>122,371</u>
Total revenues	<u>5,045,760</u>	<u>5,519,652</u>
OPERATING EXPENSES		
Property	2,988,751	2,874,140
Travel packages	1,085,268	1,279,520
Gift shop	391,384	417,441
General and administration	<u>545,977</u>	<u>536,056</u>
Total operating expenses	<u>5,011,380</u>	<u>5,107,157</u>
Net income from operations	34,380	412,495
PROVISION FOR INCOME TAXES		
Deferred tax expense	15,000	138,000
Valuation allowance	<u>-</u>	<u>(429,000)</u>
Total provision for income taxes	<u>15,000</u>	<u>(291,000)</u>
Net income	19,380	703,495
MEMBER'S EQUITY		
Beginning of the year	1,832,089	1,128,594
Distribution of capital	<u>(670,725)</u>	<u>-</u>
End of the year	<u>\$ 1,180,744</u>	<u>\$ 1,832,089</u>

The accompanying notes to financial
statements are an integral part of this statement.

**THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC**

Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 19,380	\$ 703,495
Adjustments for non-cash items:		
Depreciation	128,385	106,802
Allowance for doubtful accounts receivable	-	(2,236)
Deferred income tax expense, net	15,000	(291,000)
Change in operating assets and liabilities:		
Net change in operating assets	194,329	378,059
Net change in operating liabilities	<u>(52,196)</u>	<u>(870,889)</u>
Net cash provided by operating activities	304,898	24,231
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(102,168)	(208,539)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution of capital	<u>(670,725)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(467,995)	(184,308)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>887,329</u>	<u>1,071,637</u>
End of year	<u>\$ 419,334</u>	<u>\$ 887,329</u>

The accompanying notes to financial
statements are an integral part of this statement.

**THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC**
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The Lod and Carole Cook Conference Center and Hotel, LLC (the Hotel) is a wholly owned subsidiary of the LSU Alumni Association (the Association) and is doing business as The Cook Hotel. The Hotel is organized as a Louisiana Limited Liability Company to operate the for-profit activities of the Association.

The Hotel is located on the Baton Rouge campus of Louisiana State University (the University) and provides overnight lodging and conference room rentals to the University community and public. Other major operations include travel packages for LSU athletic events, primarily the football games away from Baton Rouge.

Basis of presentation

The financial statements of the Hotel have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates are primarily used when accounting for valuation and collection of receivables, inventory, deferred taxes, depreciation, and deferred revenue.

Cash and cash equivalents

For purposes of the statements of cash flows, the Hotel considers all demand deposits and money market accounts to be cash and cash equivalents. The Hotel considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents. The Hotel does not have any cash equivalents at December 31, 2013 and 2012.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. A general allowance for doubtful accounts is based on management's estimate of the collectability of accounts receivable according to prior experience. Management considers accounts receivable delinquent based on contractual terms. The Hotel does not require collateral for its receivables.

Inventory

Inventory is recorded at cost, net of an allowance for obsolescence. The Hotel uses the First-In-First-Out (FIFO) method to account for its inventory.

Property and equipment

Property and equipment are carried at cost. Additions, renewals, and betterments that extend the life of assets are capitalized, and maintenance and repair expenditures are expensed as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the property, ranging from three to twenty years.

Income taxes

The Hotel is a limited liability company that is taxed as a corporation. The Hotel uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income during the period that includes the enactment date.

The Hotel follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there was no impact on the financial statements as result of ASC 740-10. The Hotel's open audit periods are 2010 through 2013.

Deferred revenues

Funds that are received for prepayment of lodging, use of facility space, and deposits for travel and sporting events are recorded as deferred revenues until they are earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments

The carrying value of receivables, accounts payable, accrued expenses, and deferred revenue approximate fair value due to the short-term maturity of these instruments. None of the financial instruments are held for trading purposes.

Advertising

Advertising costs of \$40,102 and \$33,747 for 2013 and 2012, respectively, were expensed as incurred.

NOTE 2 - ACCOUNTS RECEIVABLE

At December 31, 2013 and 2012, accounts receivable were as follows:

	2013	2012
Rooms	\$ 63,486	\$ 20,456
Events, net	43,086	25,051
	106,572	45,507
Allowance for uncollectible accounts	(9,764)	(9,764)
Accounts receivable, net	<u>\$ 96,808</u>	<u>\$ 35,743</u>

Accounts receivable at December, 31, 2013 and 2012 in excess of 90 days was \$26,141 and \$19,021, respectively, and was substantially collected subsequent to year end.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, and related service lives at December 31, 2013 and 2012 were as follows:

Description	Service Life	2013	2012
Building improvements	5-20 years	\$ 861,816	\$ 813,878
Furniture and equipment	5-10 years	1,674,868	1,640,233
Automobile	5 years	21,392	21,392
Software	3 years	55,853	36,258
		2,613,929	2,511,761
Less accumulated depreciation		(2,119,555)	(1,991,170)
		<u>\$ 494,374</u>	<u>\$ 520,591</u>

Depreciation expense was \$128,385 and \$106,802 for 2013 and 2012, respectively.

NOTE 4 - PROVISION FOR INCOME TAXES

The provision for income taxes consisted of a deferred income tax expense for 2013, and a benefit for 2012, as follows:

Current tax provision:	2013	2012
Deferred income tax expense	\$ 15,000	\$ 138,000
Valuation allowance	-	(429,000)
Income tax expense (benefit)	<u>\$ 15,000</u>	<u>\$ (291,000)</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset at December 31, 2013 and 2012 are as follows:

Noncurrent deferred tax asset	2013	2012
Net operating loss carryforward	\$ 307,000	\$ 321,000
Depreciation	(31,000)	(30,000)
	<u>\$ 276,000</u>	<u>\$ 291,000</u>

At December 31, 2013, the Hotel had a net operating loss carry-forward of approximately \$1.5 million available through 2030. The Hotel's effective tax rate differs from the federal statutory rate, primarily due to lower rates on the first \$100,000 of taxable income, certain nondeductible expenses, and state income taxes (benefits). Management anticipates utilizing the net operating loss carryforwards prior to their expiration.

NOTE 5 - RETIREMENT PLAN

The Hotel, through the LSU Alumni Association, has a 401(k) retirement plan covering substantially all eligible employees. Employees are 100% vested in their contributions, as well as discretionary Hotel matching and profit sharing contributions. Employees may contribute up to 25% of their compensation limited to \$17,000 annually. The Hotel contributed \$29,001 and \$29,382 during 2013 and 2012, respectively.

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Hotel typically maintains cash and temporary investments in local banks that may, at times, exceed the FDIC limits. Management believes that this risk is limited.

NOTE 7 - RELATED PARTIES

The Hotel has a five year lease for the hotel property with the Association (parent) and incurs a management fee. Payments made to the Association are as follows:

	<u>2013</u>	<u>2012</u>
Rent	\$ 840,000	\$ 840,000
Management fee	<u>180,000</u>	<u>180,000</u>
Total payments	<u>\$ 1,020,000</u>	<u>\$ 1,020,000</u>

Hotel revenue of \$846,001 and \$806,183 for 2013 and 2012, respectively, was received from departments of the University.

NOTE 8 - SUBSEQUENT EVENTS

In preparing these financial statements, the Hotel has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which was the date the financial statements were available to be issued.

**THE LOD AND CAROLE COOK
CONFERENCE CENTER AND HOTEL, LLC**
Baton Rouge, Louisiana

SCHEDULE OF OPERATING EXPENSES

For the year ended December 31, 2013
(with comparative amounts for 2012)

	<u>Property</u>	<u>Travel Packages</u>	<u>Gift Shop</u>	<u>General and Administration</u>	<u>Total 2013</u>	<u>2012</u>
OPERATING EXPENSES						
Personnel	\$ 984,505	\$ 19,068	\$ 69,967	\$ -	\$ 1,073,540	\$ 1,061,152
Travel	-	1,046,187	-	-	1,046,187	1,257,172
Rent to Association	840,000	-	-	-	840,000	840,000
Rooms	449,313	-	-	-	449,313	398,238
Occupancy	328,063	1,337	1,637	-	331,037	303,451
Merchandise	-	-	297,385	-	297,385	320,360
Professional services	-	1,633	-	282,179	283,812	290,462
Management fee to Association	-	-	-	180,000	180,000	180,000
Depreciation	128,385	-	-	-	128,385	106,802
Food, beverage, and other	120,098	-	-	-	120,098	136,468
Repairs and maintenance	106,353	-	-	-	106,353	84,999
Marketing	-	5,486	-	48,786	54,272	47,382
Operating leases	17,035	-	-	-	17,035	18,158
Taxes and licenses	14,999	-	-	-	14,999	16,519
Other	-	11,557	22,395	35,012	68,964	45,994
Total operating expenses	\$ 2,988,751	\$ 1,085,268	\$ 391,384	\$ 545,977	\$ 5,011,380	\$ 5,107,157

See Independent Auditors' Report.



March 17, 2014

Board of Directors
The Lod and Carole Cook Conference Center and Hotel, LLC
Baton Rouge, Louisiana

Gentlemen:

We have audited the 2013 and 2012 financial statements of **THE LOD AND CAROLE COOK CONFERENCE CENTER AND HOTEL, LLC** (the Hotel), and have issued our report thereon dated March 17, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audits. We have communicated such information in our meeting with the audit committee on February 6, 2014. Professional standards also require that we communicate to you the following information related to our audits.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Hotel are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Hotel during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Provision for uncollectible accounts – A provision for the estimated uncollectible receivables has been estimated by management of the Hotel. Management of the Hotel believes the remaining receivables after reduction for the allowance are collectible.

Depreciation – Depreciation has been recorded based on management's assertion as to the estimated useful life of property purchased or received from donation.

Deferred taxes – Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred revenue – Deferred revenue is recorded when suites at the Cook Hotel are paid in advance and revenue is recognized in the applicable year. Additionally, activity related to post season sports travel is recognized in the year in which the event occurs.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

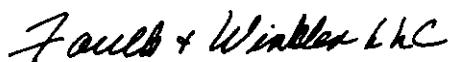
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Hotel's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Hotel and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants
Baton Rouge, Louisiana

LSU ALUMNI
ASSOCIATION

**2013
Consolidated
Financial
Statements**



LSU ALUMNI ASSOCIATION AND SUBSIDIARY

Baton Rouge, Louisiana

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

December 31, 2013





INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors and Management
LSU Alumni Association and Subsidiary
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of the LSU Alumni Association and Subsidiary (Association) and the Louisiana State University System, solely to assist you in evaluating the compliance with the Affiliation Agreement with the Louisiana State University (University) System (System) for the year ended December 31, 2013. The Association's management is responsible for compliance with the Affiliation Agreement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

With respect to your representations relating to the Affiliation Agreement, as of December 31, 2013, and for the year then ended, we applied the following agreed-upon procedures:

1. The Affiliate is required to maintain a written policy regarding the handling and resolution of audit findings, audit exceptions, and any misuse of funds. We reviewed whether the policy is in place.

The Association is in compliance with this requirement.

2. The governing board of the Affiliate has established and implemented policies governing all disbursements for administrative and operating expenses. The policies provide for sound and prudent business practices, the payment or reimbursement of ordinary, necessary and reasonable business expenses, and the avoidance of conflicts-of-interests. We reviewed whether the enacted policies of the Association comply with the Affiliation Agreement.

The Association's policy manual includes a written policy concerning conflicts of interest.

3. No supplemental compensation or benefit, as defined by paragraph A.2 of the Addendum, has been paid directly to a University employee without an exception approved by the President of the System (President). We reviewed a sample of cash disbursements for 2013 to determine whether such payments were made and, if so, whether proper approval from the President was obtained.

Based on our review there was no supplemental compensation or benefits paid directly to a University employee during 2013.

4. All payments made to or on behalf of University employees for travel, moving, relocation, entertainment, educational benefits, and other reimbursements have been approved by the employee's dean, vice chancellor, or other equivalent administrative official. We reviewed, from our sample of disbursements selected, whether such payments were made and comply with the Affiliation Agreement.

During 2013, the Association disbursed 28 reimbursements to University employees. Such payments consisted primarily of monthly expense reimbursements that were filed with the Association.

We selected 28 disbursements to test for compliance with the terms as described in Steps 5 through 13. The results of our testing are depicted below.

5. All payments for moving and relocation expenses of University employees covered by PM 69 have been approved by the President. We reviewed, from our sample of disbursements selected, cash disbursements for 2013 to determine whether such payments were made and comply with the Affiliations Agreement.

Based on our review of the disbursements selected in Step 4, no disbursements were made to University employees relating to moving or relocation expenses.

6. There have been no payments made for expenses that are solely for the private benefit of a University employee (or the family or spouse of a University employee or other non-employee who is on University business) except for payments for which this prohibition does not apply as indicated in paragraph B.1 of the Addendum. We reviewed, from our sample of disbursements selected, cash disbursements for 2013 to determine whether such payments were made.

Based on our review of the disbursements selected above, all payments made related to Association business operations.

7. No fines, forfeitures or penalties of University employees have been paid. We reviewed a sample of cash disbursements for 2013 to determine whether such payments were made.

Based on our review of the disbursements selected in Step 4, we found no payments made relating to fines, forfeitures or penalties for University employees.

8. No gifts represented to be personally from a University employee have been made by the Affiliate nor has any University employee been reimbursed for the purchase of such a gift. We reviewed a sample of cash disbursements for 2013 to determine whether such payments were made.

Based on our review of the disbursements selected in Step 4, we found no payments made related to gifts to be personally from or a reimbursement for University employees.

9. No political contributions which are prohibited by applicable Internal Revenue Service Regulations or state law have been made or reimbursed. We reviewed a sample of cash disbursements for 2013 to determine whether such payments were made. We performed the following steps with respect to this requirement:
- a. We reviewed the vendor listing of the Association to identify potential political contributions,
 - b. We reviewed the 2013 general ledger for potential political contributions,
 - c. We inquired of Association personnel as to the existence of any political contributions,
 - d. We reviewed a sample of cash disbursements to determine if such amounts related to political contributions.

Based on these steps, no political contributions were identified.

10. No payments have been made for any expense or reimbursement which would create, under all the circumstances, a reasonable conclusion on behalf of the Affiliate that the benefit to the individual University employee outweighs the benefit to the University. In accordance with paragraph B.5 of the Addendum, adequate procedures are in place to address doubtful situations. We reviewed a sample of cash disbursements for 2013 to determine whether such payments were made and determine that such procedures are in place.

Based on our review of the disbursements selected in Step 4, the payments made to University employees related to Association business operations.

11. No payments have been made for any expense or reimbursement which would create, under all the circumstances, a reasonable conclusion on behalf of the Affiliate that the amount is extravagant or lavish beyond the appropriate University purpose. In accordance with paragraph B.6 of the Addendum, adequate procedures are in place to address doubtful situations. We reviewed a sample of cash disbursements for 2013 to determine whether such payments were made and determine that such procedures are in place.

Based on our review of the disbursements selected in Step 4, we found the payments made to University employees were related to Association business, and were not extravagant or lavish beyond the appropriate University purpose.

12. No funds have been disbursed in connection with contracts (or other agreements) between the Affiliate and a University employee unless an exception has been approved by the President. We reviewed a sample of cash disbursements for 2013 to determine whether such disbursements were made on such contracts or other agreements.

Based on our review of the disbursements selected in Step 4, we found that the payments made to University employees were for normal recurring expenses for Association activities. The disbursements made did not relate to any contract or agreement between the Association and the University employee.

13. All other payments to or on behalf of University employees, i.e. payments not specifically addressed above, have been made in accordance with specific approval of the President or written joint amendment or clarification of the Addendum. We reviewed a sample of cash disbursements for 2013 to determine whether such payments were approved or clarified.

None of the disbursements selected in Step 4 were subject to this provision.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance with the Affiliation Agreement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the audit committee and management of the LSU Alumni Association and Subsidiary and the Louisiana State University System, and is not intended to be, and should not be, used by anyone other than these specified parties.

Faulk & Winkler LLC

Certified Public Accountants

Baton Rouge, Louisiana
March 17, 2014



INDEPENDENT AUDIT REPORT

APRIL 17, 2014

Board of Directors
LSU Alumni Association

This letter is in response to the Independent Auditors' Report to the LSU Alumni Association for the calendar year which ended December 31, 2013.

Under the section of specific recommendations, the following response is offered:

2013-1 - Financial Statement Preparation

Observation: The Association's internal financial statements are prepared and reviewed monthly by management and presented at board meetings. At year-end, the Association provides the internal financial statements and relies on the auditors to assist in preparing the financial statements in accordance with U.S. generally accepted accounting principles, which includes additional presentation requirements and note disclosures.

Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Association's internal control structure; however, the design of the internal control structure does not otherwise include procedures to prepare external financial statements and related disclosures in conformity with U.S. generally accepted accounting principles.

Recommendation: Management understands that this "deficiency" results from professional standards that have been adopted by the accounting profession. Significant factors are as follows:

- The Association generates the appropriate financial information to effectively manage its operations in a timely manner.



- The resources necessary to prepare financial statements in accordance with generally accepted accounting principles would not represent responsible stewardship by our management at this time.

RESPONSE: LSU Alumni Association management understands that this "deficiency" results from professional standards that have been adopted by the accounting profession. Accordingly, while this finding maybe necessary for the professional reasons cited above, we do not consider our current situation to be "deficient", and, therefore, conclude that the remedying of the "deficiency" does not represent an approach that the Association should adopt at this time.

Charlie W. Robert
CEO



2013

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LSU ALUMNI
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